

AR51

# EASTERN PROVINCIAL AIRWAYS

## THREE DECADES IN ATLANTIC CANADA



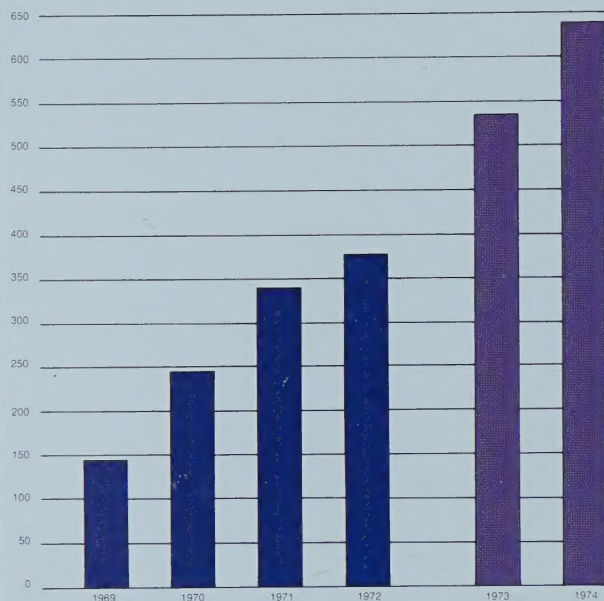


# ***EASTERN PROVINCIAL AIRWAYS***

## **PERFORMANCE AND PROJECTIONS**

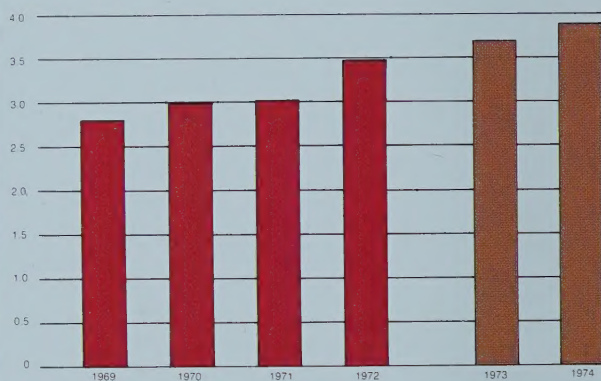
### **PASSENGERS**

(THOUSANDS)



### **CARGO TON MILES**

(MILLIONS)



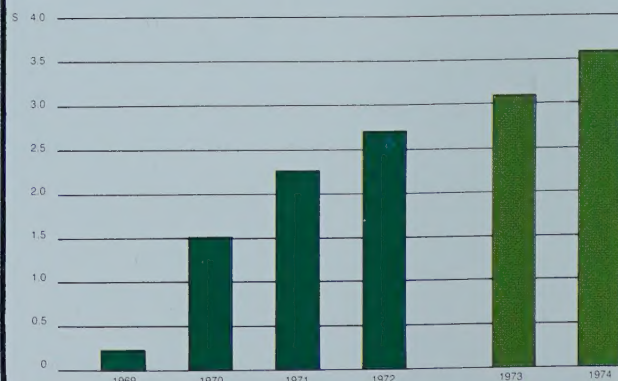
### **REVENUE**

(MILLIONS)



### **FUNDS GENERATED FROM OPERATIONS**

(MILLIONS)





# THREE DECADES IN ATLANTIC CANADA

Few areas of the world have had a longer connection with aviation than the Province of Newfoundland. As early as 1927 pioneer aviators were attempting Trans-Atlantic crossings from the Island. In 1918 the first aviation company was formed in St. John's, the Aerial Survey Company, beginning the use of aircraft for the transport of mail and passengers on a limited basis as well as seal surveys and other work.

It is rather a tribute to all of the early aviation pioneers that Eastern Provincial Airways, the Regional Airline of Atlantic Canada, should be headquartered in Gander, Newfoundland - the aviation town itself having been created almost solely by the aviation industry.

The early history of Eastern Provincial Airways (1963) Limited is actually the story of two separate companies until 1963. In 1941 Maritime Central Airways was launched in Moncton, N.B. and was soon providing passenger, cargo and charter service over a number of Maritime and Newfoundland/Labrador routes. Although Trans Canada Airlines had been penetrating the Maritime region during this decade, they were content to leave the short haul patterns to local carriers such as MCA.

In March of 1949 a fledgling airline, Eastern Provincial Airways, was organized and its initial services included air ambulance service, mail, ice and forest fire patrol as well as charter and irregular specific point service among the far flung communities of Newfoundland and Labrador. EPA was financed by Newfoundlanders and operated mainly within the confines of that province in the beginning, gradually expanding to operations in Greenland for the Danish Government and into the Maritimes.

During the 1950's the construction of North America's northern radar defences provided substantial involvement and revenue to many smaller airlines, including Eastern Provincial Airways and Maritime Central Airways. The Pine Tree Line, Mid-Canada Line, and the DEW Line were, in Eastern Canada, relatively inaccessible by conventional land transport, thus the airline became a necessity to their construction and re-supply.

These military contracts allowed the companies to grow, both in experience and equipment, toward the day when they would become one jet airline.

In September of 1963, Maritime Central Airways and Eastern Provincial Airways became Eastern Provincial Airways (1963) Limited. Both companies realized that the Eastern region of Canada needed one strong carrier and negotiations toward this result had been going on for the best part of a decade.

The two companies had a distinguished history of service. Mail, ambulance, scheduled and non-scheduled service, patrol and fire-fighting duties were being accomplished. Assistance had been given on the development of the PBY Canso as a water bombing aircraft. Interna-

tional charter flights included ferrying Hungarian refugees, flights to India and Pakistan to transport live Rhesus monkeys for polomyelitis research and the first Canadian charter behind the Iron Curtain carrying salk vaccine to Prague.

The new company now served 4,200 unduplicated route miles on a scheduled or regular specific point basis. Four hundred and twenty-five personnel were employed and control was centered at the company's headquarters in Gander, Newfoundland.

The new company also acquired the equipment assets of both former companies, a total of 36 aircraft including four 46-seat Handley Page Dart Heralds, six PBY Cansos, two C-46's, two S-55 helicopters, one DC-4, five DC-3's and a number of smaller bush aircraft including Otters, Beavers and Cessnas. It was from this base that the company entered the jet age in 1969.

In 1966 Eastern Provincial Airways, under the National Air Policy, was classified as one of the five regional air carriers and was designated in 1969 to serve the four Atlantic Provinces as well as specific points in Quebec including Montreal.

June of 1969 saw the first jet aircraft operating over



PBY CANSO WATER BOMBER



EPA routes. The Boeing 737 proved to be an immediate success and since that time the airline has purchased five of the aircraft and moved toward a standardized all-jet fleet. In 1970 the bush operation was sold to some senior EPA employees and re-named Labrador Airways Limited.

In 1972, among the 20 International Air Transport Association airline leaders in 5-year growth in passenger kilometers, Eastern Provincial Airways ranked first in North America and second in the world after Red China. Today the Airline flies over 12,000 jet miles and thousands more turbo-prop miles every day.

The Airline is licensed by the Canadian Transport Commission to serve points within the Atlantic Provinces and Labrador with Montreal as its major market outside the Atlantic area. With service to 18 centres, EPA expects traffic volume in 1973 to increase to over 500,000 passengers, over the 377,000 passengers carried last year.

In addition Eastern Provincial operates as a charter carrier to the Caribbean Islands, Mexico, and to United States points under its 402 U.S. Carrier Permit. In 1972 the scheduled operations accounted for 93 percent of the Airline's revenues compared to 68 percent in 1968, the present charter operations being intended only to supplement the scheduled service.

The Company has adopted a policy of introducing jet service on all routes where facilities permit to obtain the benefits of the economies offered by this type of aircraft as well as to stimulate further passenger traffic through improved travel convenience. All of the major routes are jet serviced and other routes will be updated as facilities are improved.

After exhaustive studies of other similar and/or smaller jet aircraft on the world aviation market, Eastern



**HANDLEY PAGE DART HERALD**

Provincial Airways decided on the standardization of a pure jet fleet consisting entirely of Boeing 737 aircraft. One of the most significant factors in this decision was the realization of the economies that can accrue from fleet standardization. The Company now operates five 109-seat Boeing 737 aircraft on its major routes, three 45-seat Handley Page Dart Herald turbo prop aircraft on secondary routes and one Douglas DC-3 piston aircraft.

1972 was a year of great change and progress for EPA. To provide a sound financial base for further growth an underwriting agreement was closed in December which resulted in the sale on the open market of 350,000 of the Company's common shares, 200,000 of which were primary issue and 150,000 of which were secondary issue. Additionally, 67,000 cumulative, redeemable, convertible, 6 percent preferred series "A" shares of a par value of \$15 each were sold. Following the completion of all the necessary financial and legal requirements, the Company's preferred and common shares were listed on the Montreal Stock Exchange during January of 1973 and the common shares were listed on the Toronto Stock Exchange within a day of the Montreal Listing.

With respect to operating earnings and total revenues, 1972 was a record year for the Airline. Net earnings before deferred income taxes amounted to \$1,939,000 and \$981,000 after taxes. In 1971 the net earnings before extraordinary items were \$155,000. This substantial improvement reflects jointly the economic magnitude of the cost reductions which resulted from the refinancing of the first three jet aircraft and the substantial increases in revenues. In fact, 1972 revenues increased 11.9 percent over 1971 while expenses increased by only



**DE HAVILLAND OTTER**





**BOEING 737 - 200 WIDE-BODIED INTERIOR**

5.6 percent. Fully diluted earnings per share amounted to 97 cents in 1972.

Revenues for the first nine months of 1973 have shown a healthy growth. Total revenues for the period amounted to \$17,341,000 in 1973, compared to \$14,342,000 in 1972, an increase of over 8 percent. Passenger volume has increased by almost 7 percent in the same period to 409,931 from 283,078. Passenger miles flown have increased from 106,451,000 to 146,227,000.

Net earnings for the first nine months of 1973 after deferred income taxes amounted to \$1,178,000 compared to \$1,043,000 for the first three-quarters of 1972, an increase of 12.9 percent. The earnings resulted from total nine month revenues of \$15,632,000 compared with \$11,966,000 for the same period in 1972, an increase of 30.6 percent. Net earnings per share for the first nine months of 1973 amounted to 94 cents. It is interesting to note that the equity per common share rose 35.1 percent, from \$3.53 to \$4.77, during the period.

August of 1973 proved to be a record month for Eastern Provincial Airways. During the period the airline carried in excess of 67,000 passengers, an increase of 55 percent over the same period last year and a 17 percent increase over forecasted figures for the month. Part of the increase was due to the increasing economic growth in the region and in part attributable to a greater number of people preferring to reach destinations by air over other forms of transport.

Eastern Provincial Airways has inaugurated scheduled service to a number of Atlantic centres during the past two years — Fredericton and Saint John, New Brunswick in 1972 and to Stephenville in 1973 — and now services virtually all major centres in the Atlantic Pro-

vinces. In addition the Airline introduced several new flights during the same period as additional jet aircraft were acquired.

In July of this year, Eastern Provincial Airways signed an agreement with Air Canada to institute an automated electronic reservations system. To be known as ATRAC — Atlantic Transportation Reservations and Communications — it will make use of the National Carrier's Reservec II computerized reservations facilities and trunk lines. EPA will operate its own independent system within Reservec II, but both airlines will have instant access to reservations over each other's system. A massive training and conversion program has been planned for reservations and ticketing personnel of the airlines. The system is projected to go on line in the spring of 1974.

Eastern Provincial Airways, in November of this year, was the first Airline in the world to take delivery of a Boeing 737 jetliner with quiet nacelle engine noise reduction treatment. On this aircraft the nacelle, or pod covering the engine, has been especially modified, along with certain engine components, to substantially lower the noise emission level of the engine. In addition, all EPA jets, including the new aircraft, are now equipped with smokeless engines.

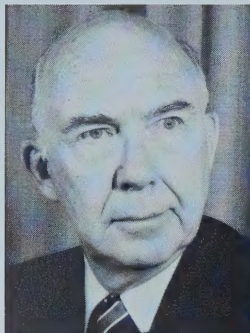
With the anticipation of marketable quantities of oil from off-shore wells, the operating and planned hydro electric developments and the rapid growth of manufacturing industries in the Atlantic Region, area growth cannot be doubted. Eastern Provincial Airways is looking forward to increasing service within the region where practical and is forecasting a healthy growth rate within Atlantic Canada.



**BOEING 737**

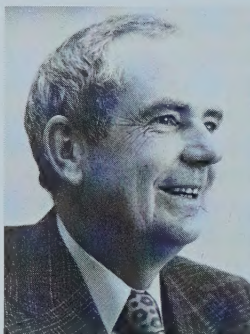


# MANAGEMENT



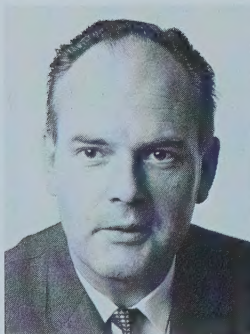
**A.J. LEWINGTON, PRESIDENT**

A.J. Lewington was born in Oshawa, Ontario and educated in Ontario, New York and California schools. He was a radio operator and radio technician with the Marconi Company and Department of Transport and worked in Air Traffic Control and as Inspector of Civil Aviation with the D.O.T. During World War II, Mr. Lewington was with RCAF Bomber Commands, returning to the D.O.T. after the War. He joined EPA in 1953, becoming Managing Director in 1954 and President of the Company in 1963.



**K.A. MILLER, EXECUTIVE VICE PRESIDENT**

K.A. Miller has been Executive Vice President of EPA since 1965. Prior to that position he was President of a firm of transportation and economic consultants and manager of technical resources for a Canadian aircraft manufacturer. Mr. Miller holds degrees from a Canadian university in economics and business administration and has completed post graduate studies in business administration.



**W.F. GAUDET, VICE PRESIDENT/MARKETING**

W.F. Gaudet was appointed Vice President/Marketing in 1968 and a Director of the Company in 1971. Mr. Gaudet joined Maritime Central Airways in 1952 and EPA in 1963 following the merger of the two companies. He has held the posts of Industrial Relations Manager, Director of Traffic and Director of Marketing. Mr. Gaudet holds a degree of Business Administration with Honours from a Canadian university and has completed senior courses in management at U.S. and British universities.



**W.H. HARRIS, VICE PRESIDENT GOVERNMENT & INDUSTRY AFFAIRS**

W.H. Harris was born in Harbour Grace, Newfoundland and educated in Harbour Grace and St. John's. He served with the RCAF during World War II and was subsequently employed with BOAC. Mr. Harris joined EPA as Maintenance Manager in 1949 and was appointed a Director in 1960, holding several executive positions since that time.



# **EASTERN PROVINCIAL AIRWAYS**



**B.G. JONES, VICE PRESIDENT/MAINTENANCE**

B.G. Jones became Director of Engineering & Maintenance in 1963 and a Vice President and Director of EPA in 1964. Mr. Jones began his association with aviation in the R.A.F., seeing service in many countries. He held senior engineering posts with a number of airlines previous to joining EPA. He has completed manufacturers' courses and holds aircraft maintenance engineers licenses for various types of aircraft.



**M.B. JONES, VICE PRESIDENT/OPERATIONS**

M.B. Jones has been Vice President/Operations of EPA since 1963. Previous to that he saw service with both the RCAF and the R.N. Fleet Air Arm, joining EPA when the Company was formed in 1949. Mr. Jones became Chief Pilot for EPA in 1951, Operations Manager in 1954 and Director of Operations in 1961.



**K.H. LARSSON, VICE PRESIDENT**

K.H. Larsson was appointed a Vice President and Director of EPA in 1970. Prior to that he has held executive positions with a Canadian aircraft manufacturer and an international airline. Mr. Larsson completed military service with the Swedish Air Force and holds a Masters Degree in Mechanical and Aeronautical Engineering from the Royal Institute of Technology, Stockholm.



**H.L. WAREHAM, VICE PRESIDENT/FINANCE**

H.L. Wareham was born in Harbour Buffett, Newfoundland and graduated from Memorial University with Bachelor of Arts and Bachelor of Commerce degrees. He was admitted to the Institute of Chartered Accountants in 1961. Prior to joining EPA Mr. Wareham was Comptroller of the Newfoundland division of a national brewery. He became Secretary Treasurer of EPA in 1965, appointed Vice President/Finance in 1967 and made a Director of the Company in 1971.



# GROWTH IN ATLANTIC CANADA: A REVIEW

Although the Atlantic region of Canada is one of the oldest (New Brunswick and Nova Scotia) and the newest (Newfoundland) parts of the nation, it is the region which is most often cited as the current region of growth. In many areas the growth factors are in excess of the national averages and the economy of the area is turning from primary production to more production of end products.

The basic industries — agriculture, fishing, forest industry and mining — are all showing increased growth in both cash receipts and in terms of numbers employed. A new base industry, tourism, as well as port traffic also show marked increases and indications are that their growth will be sustained for some time to come as new facilities are completed and changing conditions in both industries are felt on a national and international level.

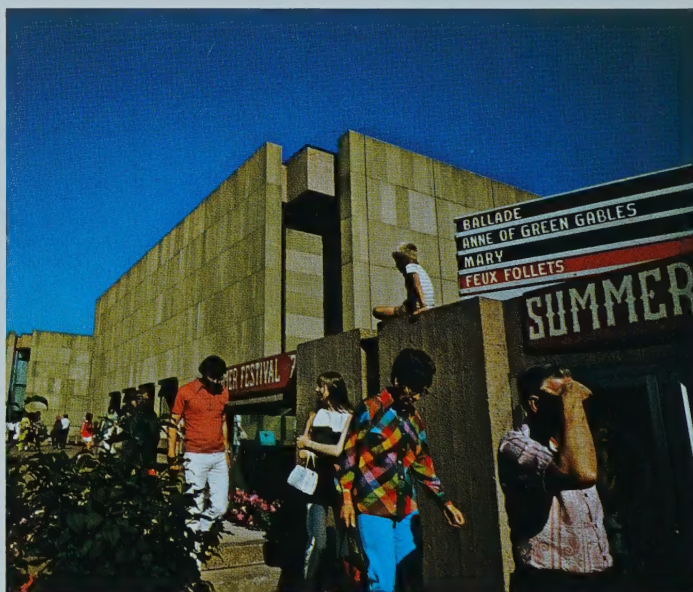
The following economic analysis of the Atlantic Region for the first seven months of 1973 is quoted from *The Bank of Nova Scotia Monthly Review*.

The broadening boom in export markets has been the foundation for a good rate of expansion in the Atlantic Region this year. At the same time, retail sales, which were already running at a strong pace in 1972, have shown further large gains, in part reflecting buoyant receipts from tourism. In addition, a more active capital spending program has been shaping up, thus adding a further general stimulus. The employment trend has to a large extent mirrored these developments, with growth quickening markedly in the late months of last year and the early part of this year. Thus, through the January-to-August period the reported number of people employed has averaged no less than 6.7% higher than a year earlier. The strong labour demand has attracted a much bigger-than-usual flow of new entrants into the labour force, partly through a diminishing in the number of workers moving to other parts of the country, and partly through a big increase in the number of women at work. This has meant much less of a drop in unemployment rates than one might have anticipated, yet there can be no doubt that the large increase in the numbers at work is having a wide-spread effect on local business.

Continuing the trend established in 1972, the markets for forest products have provided much of this year's underlying stimulus. Conditions in the pulp and paper industry have been notably stronger than a year ago (although summer strikes in New Brunswick have held back the production of newsprint), and prices are firmer; shipments out of Newfoundland have picked up sharply this year with the opening of the new Stephenville linerboard mill. The lumber industry, concentrated in New Brunswick, has been enjoying a tremendous boom in volume and prices.



SHIPPING



TOURISM





**FISHING**



**CONSTRUCTION**

In Nova Scotia, which has the most diversified manufacturing sector of all the Atlantic Provinces, manufacturing shipments in the first seven months of this year ran 21% higher than a year ago. Sydney steel production has been well maintained with an up-dated plant recently having come into commission; and operations in the province's various automotive-related industries have continued to expand in scope. Food-processing, shipbuilding (largely related to offshore oil exploration) and oil-refining are also active this year.

In the mining sector, the improvement in North American markets for iron ore has coincided with the completion of a major enlargement of Labrador mining capacity. As a result, production in the first half of 1973 was 27% higher than last year's rather depressed levels. Meanwhile, markets for New Brunswick's copper, lead and zinc products have continued to firm. The major re-organization of smelting operations in the Bathurst area has proceeded rapidly, with only a three-month break in production.

Receipts from fishing operations have risen strongly this year despite another decline in the volume of total fish landings. An encouraging note has been the much-improved lobster catch, but in general, the depletion of the available catch is a major problem for the Atlantic fisheries. Farm cash receipts have been at an exceptionally high level in 1973, largely in response to higher prices for potatoes and beef cattle.

Capital investment in the Atlantic Region was subdued in 1972 but is showing a good recovery this year; in fact, the mid-year survey of intentions indicated that total outlays would be up by almost 16%. Pockets of slower activity remain, however; new expansion in Newfoundland in particular is still pulling back after several years of massive expenditures, although the likelihood of a second, much-larger, oil refinery at Come-By-Chance is a bright note for the future. Across the region, outlays on housing have been substantial, while

industrial expenditures include the modernization of the Ports of Saint John, New Brunswick, and St. John's, Newfoundland. In addition, large-scale development of utilities in Nova Scotia, Prince Edward Island and New Brunswick is underway.

An assessment of the region's economic future, even in the short run, must include reference to the possibility of offshore oil discoveries in commercial quantities. Any announcement of such a discovery would immediately inject an aura of expectation into the region's economy and immediately result in a large increase in the demand for shore-based services for offshore drilling rigs. The added expectation of a further base for the area's economy would be strengthened by the demands for fuel on a global basis because of the present shortage and by anticipated future requirements.

In order to ensure future growth, plans are being implemented to broaden the industrial-economic base in the necessary Atlantic regions and capital investment is being encouraged to establish new industries and to strengthen and expand existing ones. The primary industries are establishing new markets and the expansions of end product industries and markets is already underway. Unemployment, a chronic problem in the region, is showing signs of some alleviation, within the area.

Indications are that the current economic surge in the Atlantic Provinces will continue through 1974 and that the region will move closer to national averages in those areas where it is presently lagging. It is expected that some areas in which the region is ahead of national growth figures will show a healthy increase as provincial and regional growth expansion developments are implemented.



# INSIDE A MODERN AIRLINE

The day to day business of running a modern airline rests mainly with four departments within the organization — Operations, Maintenance, Marketing and Finance. If one were to over simplify greatly, it might be said that Operations flies the aircraft, Maintenance services them, Marketing obtains the payload and Finance accounts for the monies coming and going. In actual fact, of course, the running of an airline is, like any large company, a good deal more complicated than that.

To view the overall picture, we must take each department in turn and relate its role in relation to Eastern Provincial Airways.

## OPERATIONS

'Ops' means more than just flying an airplane. Headed by a Vice-President, the Operations Department is concerned with the flight crew both in the aircraft and the non-flying crew on the ground who are an integral part of each and every flight.

The Captain and First Officer on the flight deck and the stewardesses in the cabin are scheduled by Operations and the pilot training and part of the stewardess training is the responsibility of this department.

The jet pilot training school is conducted in Dublin,

Ireland, and consists of a grueling five week course where the prospective EPA pilot, already a highly qualified pilot, will learn from the ground how to fly a Boeing 737. After qualifying as a First Officer he will be subject to periodic and random checks by EPA check pilots and Ministry of Transport inspectors. For the First Officer to move up to Captain, he must go back to school for more training and check-outs before promotion. As Captain he will still be checked out at the same intervals as when he was a First Officer.

Although the pilot flies the airplane, without the dispatch office of Ops he literally could not get off the ground. The dispatch office acts as anchor man for the pilot, obtaining weather reports, helping to file flight plans, determining fuel requirements and maintaining radio contact with the aircraft during flight.

The Ops Department is concerned with scheduling, training and re-training and bringing together people and equipment, both in the air and on the ground, into one smooth-working and efficient unit.

## MAINTENANCE

Some people think that maintaining an automobile in proper running order requires a lot of time and bother. Compared to a jetliner, an automobile is a relatively uncomplicated vehicle.

The responsibility of maintaining EPA's aircraft is the responsibility of the Maintenance Department; providing a safe, clean aircraft to the travelling public.

To perform the maintenance on an aircraft requires a team of highly skilled and trained specialists in the fields of hydraulics, electronics, avionics and related sciences, all working under the Vice-President/Maintenance. To back up the technical personnel, the airline must maintain an elaborate store of spare parts as well as special tools, equipment and testing data.



MAINTENANCE HANGER



EASTERN PROVINCIAL AIRWAYS STEWARDESSES





**EASTERN PROVINCIAL AIRWAYS FLIGHT CREW**

To add support, there is a sheet metal shop, welding, paint and electronics shops and a representative of the Boeing Corporation permanently stationed at the maintenance headquarters in Gander.

Just as 'seat of the pants' flying has disappeared and been transformed into a highly specialized career, so the maintenance of aircraft has progressed to a technically precise science.

### **MARKETING**

The function of the Marketing Division is to obtain payload for the EPA aircraft, to make certain that the payload is properly looked after, before, during and after the flight, and to train the personnel to carry out these functions. To a great extent the personnel of Marketing have the most contact with the air traveller — reservations and ticket agents, stewardesses, commissary staff and baggage agents. Even travel agents, who account for a large percentage of EPA passenger sales, are extensions of the Division. In addition, most of the public relations and advertising for the Airline is the responsibility of Marketing.

The Marketing Division is structured like a small army, headed by a Vice-President. From the sales point of view, the sales manager directs district sales managers in each of the Airline's five marketing areas. The D.S.M.'s are assisted by salesmen in their areas, all promoting the sale of EPA traffic.

Each station on the EPA system has a station agent and reservations staff and many have EPA ticket agents. In certain stations this latter function is handled by Air Canada personnel who also become a part-time extension of the Marketing Division.

## **STAFF DISBURSEMENT**

	1969	1970	1971	1972	1973	1974
Flight Crew & Dispatch	98	76	81	85	97	107
Engineering & Maintenance	194	175	158	159	179	185
Stewardesses	31	56	68	94	125	140
Marketing	136	151	147	151	190	200
Administrative Services	41	49	56	52	55	58
	500	507	510	521	646	690

Stewardess recruitment and training is the responsibility of Marketing, as well as the meals and the in-flight cabin service. Flight scheduling, in co-operation with the other Airline departments, is also one of the Division's duties.

There is much more to this Department than just putting payload on an airplane. The sales area is all important, as are the varied other responsibilities of making certain that the travelling public is offered a comfortable and enjoyable flight.

### **FINANCE**

The air traveller seldom has direct contact with the Finance Department, yet this part of the Airline functions as part of every EPA Department. Headed by the Vice-President/Finance, its main responsibilities are accounting for the Company's revenues and expenditures, providing budget control and dealing with financial institutions to effectively implement the Airline's objectives.

To some extent, the Finance Department provides a clearing house function for all Departments. Departmental budgets are determined in consultation with Finance and then the Finance Department determines the overall budget for the Airline. The various departments rely on Finance for information of a financial nature in setting their priorities and then look to this Department for the accounting controls during the year.

In addition the Finance Department pays the Company's bills and collects monies owing, prepares the corporate statements and generally deals with the Airline's shareholders. Just as the other Departments, Finance plays its essential part in ensuring that Eastern Provincial Airways is a well run and profitable Company.



# OUTLOOK FOR THE FUTURE

Over the past three decades Eastern Provincial Airways has grown from a company with one single engine airplane to a jet airline. Even within the past four years, since the first jet was operated in 1969, EPA has made growth in size, in the number of jet aircraft and in acceptance by the travelling public within the market area.

It is the intention of the management of Eastern Provincial Airways to continue this growth in a controlled manner to achieve maximum potential. This controlled expansion involves making the most possible use of existing equipment, phasing out the turbo prop equipment when feasible, acquiring new equipment when necessary, and acquiring new routes where profitable and actively marketing the existing route structure.

A healthy growth rate has been forecast in the domestic demand for air transportation during 1974 with the growth on the East Coast and the West Coast being higher than the national average. This latter increased demand will accrue from stepped up activity in natural resource exploration; the growing awareness by North

American tourists of the attractions of the regions, and the decreased buying power of the dollar in intercontinental travel.

Eastern Provincial Airways forecasts a total of 600,000 passengers for 1974, an increase of 12% over the more than 500,000 passengers expected this year. This forecast reflects the increased seat capability offered by the fifth jet and the increasing trend toward air travel over land transportation within the region.

The runway extension and paving at Charlo in northern New Brunswick has received ministerial support and EPA anticipates commencing jet service to this point in the late summer of next year. The fifth Boeing 737, delivered in November of this year, will replace the turbo prop equipment presently being used on this route. The addition of jet-length runways in Charlo will mean that Fredericton and Chatham, New Brunswick, other points on this route, will be serviced by jet equipment.

In the meantime, the fifth jet will be utilized during



**EASTERN PROVINCIAL AIRWAYS STEWARDESS**



the winter months of late 1973 and early 1974 in international charter service to the southern United States and Caribbean sun spots as well as providing extra capacity on scheduled services during the peak summer months.

Eastern Provincial Airways have made requests to the appropriate authorities for improvements to the runways at the Magdalen Islands to accommodate jet aircraft. It is hoped that jet services can begin to this point in 1975, thereby enabling a complete phase-out of all prop equipment.

As a result of the recent bilateral negotiations, new air routes to United States points have become available — Halifax/Portland/Bangor/Montreal, and Sydney/Boston. Eastern Provincial Airways is presently completing a market analysis and research project and has made application to the proper authorities for the rights to operate these routes. The Airline feels that these routes are of a regional nature and in line with the policy outlined for regional carriers in 1966. The granting of these routes will necessitate the purchase of an additional Boeing 737 jetliner which will also facilitate improved scheduling on the overall route system and improved service to the travelling public as well as allowing the attainment of an optimum fleet size.

During the current energy crisis EPA is not anticipating any shortage of fuel supplies on the domestic routes which account for 95 percent of the revenues. Fuel shortages will, it is expected, have some effect on the charter program this winter to destinations in the southern United States and certain areas in the Caribbean. At the moment the Airline is endeavouring to make alternate arrange-

ments in these areas.

Higher fuel prices, with resulting higher direct operating costs will culminate in an even greater marketing effort being directed toward optimum scheduling patterns on both within the EPA marketing areas as well as on a national level. The result will be higher load factors on the aircraft with resulting benefits to the Airline because of the increased efficiency.

Although operating costs are rising at a rapid rate, the increase in the price of fuel is one of the most significant, and it appears that these increases will continue for some time to come. The end result of escalating fuel and other supplier prices will mean that fare increases are inevitable.

One, if not two increases in passenger and cargo tariffs may be expected in 1974. Wage and salary settlements, general and inflationary trends, as well as the fuel price escalation are all expected to be contributing factors. In addition the aviation industry may see the need for a charge to compensate for the high costs resulting from the security program activated in 1973.

The airline industry is expecting the commencement of an era of significant changes in travel patterns as escalating fuel prices result in pro rata high unit costs for automobile travel. This traveller, now accounting for some 90 percent of present intercity travel, will divert to travel by air.

With the anticipated new routes, greater seat capability and increased efficiency of equipment and usage, Eastern Provincial Airways is predicting a growth rate of 12 to 15 percent during 1974.







BOEING 737



# AIRCRAFT

## EFFICIENCY

Aircraft Type	 Otter	 DC-3	 Herald	 B-737
Engine Type	Piston	Piston	Turboprop	Turbofan
Max. Gross Weight lbs.	8,000	26,000	43,000	114,000
Seat Capacity	10	26	40	109
Payload, tons	1.2	2.5	5.0	11.0
Runway length required — feet	1,000	3,000	4,150	5,000
Cruise speed — mph	110	165	230	490
Blockspeed — mph	80	137	171	325
Productivity — Available Ton Miles Block Hour	96	342	855	3,600
Total Oper. Cost — \$ Block Hour	116	314	470	1,350
\$ Aircraft Mile	1.45	2.30	2.75	4.15
\$ Available Ton Mile	1.51	0.92	0.55	0.38
\$ Available Seat Mile	0.14	0.9	0.7	0.4

While the speed has increased by a factor of 3, the unit operating cost (i.e. the cost of producing a seat mile) has decreased by a factor of 2.3 over the time span 1935-1970 when these aircraft have been utilized. An analysis of the larger four engine aircraft in international service shows the same trend.

A look at the world's scheduled airline revenues and costs over the decade 1960-70 shows the following (ICAO Circular 105-AT/26):

Year	1960	1965	1968	1969	1970
Revenues ¢ Revenue Ton Mile	25.3	22.5	20.0	20.2	21.1
Costs ¢	25.2	20.3	19.0	19.1	20.0
Consumer Price Index	100	111.4	125.5	129.7	133.4

The foregoing when shown in graph form illustrates the trend even more vividly and shows that the bottom for both costs and revenues was reached in 1968 and from then on there has been an upward turn. In relation to other costs, represented by the Consumer Price Index, airline fares and costs in fixed 1960 dollars decreased by 43.5% in the 8 year period 1960-68, before the upturn cancelled; a remarkable achievement indeed. This unique and extraordinary phenomena was attributable to the rapid advances in aircraft design.

However, the present generation of turbofan aircraft has reached a level of efficiency both structurally, aerodynamically and propulsively that is hard to improve upon and we cannot, therefore, look forward to any significant advances for some years to come. Consequently, from here on in air fares can only move upward like charges for other goods and services in our industry.



ROUTES

***EASTERN PROVINCIAL AIRWAYS***







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